

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 SS-15
NSC-05 PA-01 PRS-01 /055 W
-----117315 211822Z /43

R 211746Z DEC 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4205
INFO USMISSION USBERLIN
AMEMBASSY BERLIN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 21124

BRUSSELS FOR FAA

E.O. 11652: N/A
TAGS: EAIR, PGOV, FR, WB, GW, UK, US
SUBJECT: APPLICANTS FOR BERLIN-SAARBRUEKEN SCHEDULED
SERVICES

REF: A. BONN 20493 B. STATE 245585 C. BONN 18537

SUMMARY: THERE ARE INDICATIONS THAT AEROAMERICA,
BERLIN AIR TAXI AND POSSIBLY INTRA-AIR (A UK CARRIER)
WILL APPLY TO OPERATE SCHEDULED SERVICES BETWEEN BERLIN
AND SAARBRUEKEN IF, AS SEEMS LIKELY, AIR ALSACE WITH-
DRAWS ITS APPLICATION. AEROAMERICA REPORTS A TENTATIVE
AGREEMENT BY THE SAAR GOVERNMENT TO A DM 360,000
ANNUAL SUBSIDY FOR TWO YEARS. EMBASSY BELIEVES AERO-
AMERICA'S PAST RECORD, PRESENT FINANCIAL SITUATION AND
FUTURE PROSPECTS MAKE IT POOR CHOICE FOR THIS SERVICE.
BERLIN AIR TAXI APPLICATION ALSO QUESTIONABLE BECAUSE OF
ITS SMALL BASE AND INEXPERIENCE, BUT WE FAVOR GIVING
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IT CHANCE TO MAKE ITS CASE. AT FIRST GLANCE INTRA-
AIR WOULD SEEM TO BE IN BEST POSITION TO UNDERTAKE THE
OPERATION.

1. POSSIBILITY THAT AIR ALSACE WILL WITHDRAW ITS
APPLICATION, ALREADY APPROVED IN PRINCIPLE BY THE ALLIED
CIVIL AIR ATTACHES, TO OPERATE A SCHEDULED SERVICE

BETWEEN BERLIN AND SAARBRUEKEN HAS BECOME KNOWN IN AIRLINE INDUSTRY CIRCLES WHERE AIR ALSACE'S WITHDRAWAL APPEARS TO BE TAKEN AS CERTAIN. EMBASSY CAA ON VISIT TO BERLIN DECEMBER 16 WAS INFORMED BY TWO US CARRIERS THAT THEY WOULD LIKE TO UNDERTAKE THE SERVICE AND THERE IS A REPORT THAT A UK CARRIER IS ALSO INTERESTED.

2. ONE OF THE INTERESTED US CARRIERS IS BERLIN AIR TAXI WHICH NOW HAS BEEN OPERATING AN AIR TAXI SERVICE FOR JUST UNDER TWO MONTHS IN BERLIN WITH ONE AIRCRAFT, A TURBO COMMANDER. THEY WOULD LIKE TO OPERATE THE BERLIN SAARBRUEKEN SERVICE WITH EITHER AN F-27 OR A SWEARINGEN METRO II OR SIMILARLY SIZED AIRCRAFT, DEPENDING ON THE RESULTS OF A MARKET SURVEY.

3. AEROAMERICA IS THE OTHER INTERESTED US CARRIER. IT PREVIOUSLY (1975) RECEIVED CAA APPROVAL IN PRINCIPLE TO OPERATE THE SERVICE BUT FAILED TO DO SO AND THE APPROVAL RECENTLY WAS REVOKED (REF B). AEROAMERICA'S BERLIN MANAGER HEINZ MATHUS TOLD THE EMBASSY CAA ON DECEMBER 16 THAT HE WAS IN CONTACT WITH THE SAAR GOVERNMENT AND HAD GOTTEN TENTATIVE AGREEMENT ON A SUBSIDY OF DM 30,000 PER MONTH FOR THE FIRST TWO YEARS OF OPERATION. MATHUS SAID THAT AEROAMERICA HAD IDENTIFIED AN F-27 THAT COULD BE PROCURED ON SHORT NOTICE AND ON TERMS EASILY WITHIN AEROAMERICA'S MEANS. MATHUS WOULD LIKE TO CONDUCT A CONFIDENTIAL

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SERVICE WITH THE SAME AIRCRAFT TO BRUSSELS AS WELL, THUS GIVING NINE HOURS UTILIZATION PER DAY TO THE AIRCRAFT (TWO ROUND TRIPS TO SAARBRUEKEN AND ONE TO BRUSSELS) WHICH HE BELIEVES WOULD BE VERY PROFITABLE. AEROAMERICA WOULD PROVIDE BACK-UP WITH ITS BOEING 720 FLEET AT LEAST ONE OF WHICH SHOULD BE AVAILABLE AT ALL TIMES.

4. MATHUS SAID THAT HE HAD LEARNED IN SAARBRUEKEN THAT THE UK CARRIER INTRA-AIR HAS ALSO BEEN DISCUSSING THE POSSIBILITY OF OPERATING THE SERVICE WITH THE SAAR GOVERNMENT. INTRA-AIR IS A SMALL UK CARRIER OPERATING VISCOUNTS AND DC-3'S, BASED IN JERSEY AND CURRENTLY FLYING MOSTLY BETWEEN THE CHANNEL ISLANDS AND THE WESTERN PART OF FRANCE. IT HAS APPLIED TO THE BRITISH CIVIL AERONAUTICS AUTHORITY FOR PERMISSION TO RUN A ONCE WEEKLY SCHEDULED SERVICE BETWEEN BERLIN TEGEL AND JERSEY. THAT APPLICATION HAS NOT YET FORMALLY REACHED THE ALLIED CAA'S.

5. COMMENT: ASSUMING THAT AIR ALSACE DOES WITHDRAW, WE WOULD FAVOR GIVING A PROPERLY QUALIFIED CARRIER A CHANCE AT THE ROUTE EVEN THOUGH TWO EARLIER ATTEMPTS

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 21124

(MODERN AIR AND PAN AMERICAN) WERE ABANDONED BECAUSE OF
OPERATING LOSSES. IT SEEMS POSSIBLE THAT A CARRIER
WITH THE PROPER SIZED AIRCRAFT (PAN AM'S 727'S AND
MODERN AIR'S CONVAIR 990 WERE TOO LARGE) MIGHT MAKE A
SUCCESS OF THE ROUTE. WE DO NOT BELIEVE, HOWEVER, THAT
AEROAMERICA IS AN ACCEPTABLE CHOICE. ITS PERFORMANCE IN
THE PAST IN MEETING ITS BILLS, HONORING ITS CONTRACTS
WITH CHARTERERS AND COMPLYING WITH INSTRUCTIONS OF THE
ALLIED CAA'S HAS NOT BEEN GOOD. THE FINANCIAL SITUATION
OF ITS PRESIDENT WHO ALONG WITH HIS WIFE HOLDS ALL THE
STOCK IN THE COMPANY IS SUCH THAT IT IS BY NO MEANS
CERTAIN THAT THE COMPANY WILL SURVIVE. ITS SURVIVAL
APPARENTLY HINGES ON CONVINCING THE COURT AND THE RE-
CEIVER THAT KEEPING THE COMPANY GOING IS A BETTER HOPE
FOR PAYING OFF THE OBLIGATIONS OF THE OWNER THAN
LIQUIDATING THE ASSETS OF THE COMPANY WOULD BE. THE
GREAT BULK OF AEROAMERICA'S BUSINESS AND THE BASIS OF
ITS OPERATING PERMISSION (RENEWABLE TWICE YEARLY WHEN
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THE SEASON CHARTER PROGRAM IS APPROVED) IS ITS CONTRACT WITH BERLINER FLUG RING. THE EMBASSY CAA WAS TOLD IN NOVEMBER (REF C) BY THE TOP OFFICERS OF BFR THAT AERO-AMERICA'S PERFORMANCE HAD BEEN UNSATISFACTORY, THAT THE BFR WAS CONTINUING TO USE AEROAMERICA ONLY BECAUSE IT FEARED IT WOULD BE SUED FOR BREACH OF CONTRACT IF IT DID NOT, AND THAT THERE WAS NO INTENTION TO RENEW THE CONTRACT WHEN IT EXPIRES IN MARCH 1979. THE SAAR-BRUEKEN ROUTE APPEARS MARGINAL AT BEST, AND IF UNDERTAKEN AT ALL IT SHOULD BE BY A COMPANY THAT HAS THE FINANCES TO ABSORB A FEW YEARS OF LOSSES AND BY ONE WHOSE TENURE SEEMS REASONABLY SECURE.

6. WE ARE SOMEWHAT DUBIOUS AS WELL ABOUT THE WISDOM OF BERLIN AIR TAXI OPERATING THIS SERVICE. THE COMPANY PRESENTLY HAS ONLY ONE AIRCRAFT AND HAS BEEN IN OPERATION LESS THAN TWO MONTHS. IT HAS MADE AN ENCOURAGING START AND SEEMS TO BE WELL AND RESPONSIBLY MANAGED. HOWEVER, IT IS QUESTIONABLE WHETHER ITS YOUNG, INEXPERIENCED OFFICERS COULD TAKE ON A SCHEDULED SERVICE WHOSE PROFITABILITY IS IN DOUBT. WE WOULD FAVOR, NEVERTHELESS, GIVING BERLIN AIR TAXI AN OPPORTUNITY TO MAKE ITS CASE BEFORE THE ALLIED CAA'S AND TRY TO SHOW THAT THEY HAVE THE FINANCIAL MEANS, PERSONNEL AND DETERMINATION TO GIVE THE SERVICE AN HONEST EFFORT OVER A REASONABLE TIME.

7. IF INTRA-AIR SHOULD APPLY BEFORE ANOTHER CARRIER HAS BEEN APPROVED, IT WOULD BE FORMIDABLE COMPETITION. IT IS APPARENTLY AN ESTABLISHED CARRIER WITH SOUND FINANCES AND A RECORD OF STEADY EXPANSION. BY CONDUCTING THE SERVICE WITH VICOUNTS WHICH IT ALREADY POSSESSES, IT SHOULD HAVE A LOW BREAK EVEN LOAD FACTOR.
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ACTION REQUESTED: DEPARTMENT'S VIEWS WOULD BE APPRECIATED.

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